

whole or in part, the PHA shall dispose of it promptly by public solicitation of bids for not less than fair market value, unless HUD authorizes negotiated sale for reasons found to be in the best interests of the PHA or the Federal Government, or sale for less than fair market value (where permitted by State law), based on commensurate public benefits to the community, the PHA or the Federal Government justifying such an exception. Reasonable costs of disposition, and of relocation of displaced tenants allowable under § 970.5, may be paid by the PHA out of the gross proceeds, as approved by HUD.

(b) Net proceeds, including any interest earned on the proceeds, (after payment of HUD-approved costs of disposition and relocation under paragraph (a) of this section) shall be used, subject to HUD approval, as follows:

(1) For the retirement of outstanding obligations, if any, issued to finance original development or modernization of the project; and

(2) Thereafter, to the extent that any net proceeds remain, for the provision of housing assistance for low-income families, through such measures as modernization of low-income housing or the acquisition, development or rehabilitation of other properties to operate as low-income housing.

(c) In the case of scattered-site housing of a public housing agency, the net proceeds of a disposition shall be used for the retirement of outstanding obligations issued to finance original development or modernization of the project, in an amount that bears the same ratio to the total of such costs and obligations as the number of units disposed of bears to the total number of units of the project at the time of disposition. For example, in cases where debt has not been forgiven, if a development project of ten units that cost \$100,000 has one unit disposed of for \$10,000, then there would be no net proceeds after paying off the proportional cost (\$100,000 divided by 10=\$10,000/unit) of the project. If, however, the unit was disposed of and net proceeds were \$12,000, there would be \$2,000 available that the PHA would use for the provision of housing assistance for lower income families. Where debt

has been forgiven, all the net proceeds may be used by the PHA for the provision of low income housing assistance.

[50 FR 50894, Dec. 13, 1985, as amended at 53 FR 30988, Aug. 17, 1988; 60 FR 3719, Jan. 18, 1995]

§ 970.10 Costs of demolition and relocation of displaced tenants.

Where HUD has approved demolition of a project, or a portion of a project, and the proposed action is part of a modernization program under the Comprehensive Improvement Assistance Program (24 CFR part 968), the costs of demolition and of relocation of displaced tenants may be included in the modernization budget.

§ 970.11 Replacement housing plan.

(a) *One-for-one replacement.* HUD may not approve an application or furnish assistance under this part unless the PHA submitting the application for demolition or disposition also submits a plan for the provision of an additional decent, safe, sanitary, and affordable rental dwelling unit (at rents no higher than permitted under the Act) for each public housing dwelling unit to be demolished or disposed of under the application, except as provided in paragraph (j) of this section. A replacement housing plan may provide for the location of the replacement housing outside the political boundaries of the locality of the PHA, provided all relevant program requirements are satisfied including the approval of the replacement housing plan by the unit of general local government in which the project being demolished or disposed is located. In order to assure that all program requirements are satisfied, the PHA must enter into any necessary agreements, including where applicable, the execution of a Cooperation Agreement between the PHA and the locality in which the replacement housing will be located, prior to submission of the replacement housing plan to HUD for approval. In addition, the PHA must ensure that such agreements provide that the families selected for occupancy in the replacement housing will be families who would have been eligible for occupancy in the replacement housing if it had been replaced in the same locality as